

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Periodic Reporting

Docket No. RM2018-6

(Proposal Three)

PARCEL SHIPPERS ASSOCIATION COMMENTS ON PROPOSED
RULEMAKING ON ANALYTICAL PRINCIPLES USED IN PERIODIC
REPORTING (PROPOSAL THREE)

(June 29, 2018)

The Parcel Shippers Association (PSA) respectfully submits these comments in response to Order No. 4635 (June 7, 2018) regarding the Postal Service's petition proposing two revisions to periodic reporting requirements reports.¹

In its Petition, the Postal Service proposes two procedures for calculating incremental costs, the first for competitive products as a whole and the second for individual negotiated service agreements (NSAs). PSA supports both proposals.

The first is an improvement because it:

directly estimate[s] the costs of producing all competitive products simultaneously, and thus provide[s] exactly the information needed to fully conduct the cross-subsidy test as intended. No longer [is] it necessary to sum separate estimates of domestic and international competitive incremental costs, which, as has been frequently noted, in virtually all circumstances is likely to understate the combined incremental costs.

Petition, Proposal 3 at 7.

The second should be approved because it presents a pragmatic approach for calculating the incremental cost of NSAs using proxy information. This method makes a

¹ Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Three), June 1, 2018 (Petition).

great deal of sense given that inframarginal costs make up only a very small portion of the incremental cost of individual NSAs. USPS Petition, Proposal 3 at 11-12.

PSA also appreciates the Commission's determination that these methods, which were initially used in the FY 2017 Annual Compliance Review, should be reviewed separately under section 3050.11 of the Commission's rules. USPS Petition, Proposal 3 at 3. This permits focused review with an opportunity for interested parties to comment on proposed changes. Such a procedure promotes continual improvement of costing procedures and, ultimately, better cost measurement.

The proposed changes relate only to calculating incremental costs. This proceeding is appropriately narrowly focused on that subject. The Commission should resist any effort to expand the scope of this proceeding to relitigate the Commission's correct decision, recently upheld by the D.C. Circuit Court of Appeals, to define attributable costs "as the sum of its volume-variable costs, product-specific costs, and those inframarginal costs calculated as part of a competitive product's incremental costs." Section 3015.7(b). The definition of attributable costs is settled even though the technical details regarding its measurement may be improved from time to time in rulemaking proceedings such as this.

Respectfully submitted,

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